

No. 13334

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

MERSHON COMPANY, INC.,

Appellant,

vs.

FRANK A. PACHMAYR, and FRANK A. PACHMAYR, doing business under the fictitious firm name and style of PACHMAYR GUN WORKS,

Appellees.

APPELLANT'S OPENING BRIEF.

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Appellees.

APPELLANT'S OPENING BRIEF.

Plaintiff appeals from a final judgment of the United States District Court for the Southern District of California, Central Division (Judge Harrison), in a trademark infringement and unfair competition action.

Hereinafter, plaintiff-appellant, Mershon Company, Inc., is referred to as "plaintiff," and defendant, Frank A. Pachmayr, doing business as Pachmyr Gun Works, is referred to as "defendant."

Jurisdiction.

The appealed judgment was entered on October 22, 1951 [R. 62]. Motion for new trial was filed by plaintiff on October 30, 1951 [R. 63], and was denied on January 4, 1952 [R. 70].

No question of jurisdiction or pleading is raised by this appeal.

Original jurisdiction was conferred upon the court below by 28 U. S. C. A. 1338, and jurisdiction to review the judgment is conferred upon this court by 28 U. S. C. A. 1291.

Statement of Case.

Plaintiff's complaint [R. 5] alleges that plaintiff owns a federally-registered trade-mark [R. 233; Ex. 5] for gun recoil pads. The registered trade-mark is a composite one, consisting of the words "WHITE LINE" and a symbol comprising a *white circular line* encircling the base of the recoil pad. The manner in which the mark appears and is applied to the plaintiff's product is exemplified by Exhibits 3 and 4.

The complaint contains three causes of action; the first being for trade-mark infringement and the second being for unfair competition. The third cause of action, for violation of the anti-trust laws, was dismissed at the trial [R. 225].

Defendant's answer admits using plaintiff's white circular line symbol [Par. III, R. 16], although defendant does not use that part of plaintiff's composite trade-mark consisting of the *words* "WHITE LINE."

Defendant's accused recoil pads are exemplified by Exhibits 8 and 9; being substantially identical in appearance with plaintiff's pads, and being sold in the same stores as plaintiff's pads [R. 100-101], which renders it all the more likely that confusion will result from defendant's use of plaintiff's distinguishing symbol.

The uncontradicted evidence establishes not only actual “passing off” of defendant’s pads for plaintiff’s [R. 137 *et seq.*; Exs. 18-23], but also actual confusion [R. 105; Exs. 12-16]. Even defendant’s own witnesses admitted the likelihood of confusion [R. 221-222]. In fact, at the conclusion of the trial, the trial judge expressed the view that confusion was bound to result from defendant’s use of plaintiff’s white line symbol [R. 194].

Defendant’s answer denies that his use of plaintiff’s white line symbol constitutes either trade-mark infringement or unfair competition; and asserts the affirmative defense that those issues were concluded by a former California Superior Court judgment identified as action No. 520,672 [R. 245].

Although the trial court found in the present action that plaintiff first adopted and used its trade-mark and has spent large sums advertising it [Finding V, R. 50]; that plaintiff registered the mark [Finding VI, R. 51]; that plaintiff has built up and owns and enjoys a valuable business and good will identified by its trade-mark [Finding V, R. 51]; and that dealers have passed off defendant’s recoil pads bearing plaintiff’s white line symbol as plaintiff’s pads [Finding XIV, R. 59], the trial court found that defendant was not guilty of trade-mark infringement or unfair competition. The trial court also concluded that the former judgment is *res judicata* as to the issues of trade-mark infringement and unfair competition here involved.

Inasmuch as the pleadings in the former case are not in evidence and are therefore not before the court, plaintiff will briefly review the facts, which appear from the record.

Some time prior to 1932, defendant was engaged in making and selling gun recoil pads which he identified with the white line symbol here in issue [R. 197]. In 1932, defendant Pachmayr and a Mr. L. E. Mershon (who is now an officer of the plaintiff corporation) formed a partnership known as "Frank A. Pachmayr Co." [R. 78], which partnership carried on said business. In 1935 a corporation was formed under the name "Frank A. Pachmayr Corporation," and that corporation (which, by change of name, is the present plaintiff corporation) succeeded to the business and good will of said copartnership—defendant Pachmayr and Mr. Mershon becoming employees and officers of the corporation [R. 97]. In 1936, defendant Pachmayr resigned from the corporation [R. 97], and entered into an agreement [Ex. H] with the corporation by virtue of which Pachmayr agreed to refrain from reengaging in a competing business for a specified period of some thirty odd months. At the end of said period, Pachmayr reengaged in the business of making and selling recoil pads, but did not mark them with plaintiff's identifying white line symbol.

However, as related in Paragraph III of his answer herein [R. 16], nine years later, in the month of September, 1945, Pachmayr commenced marking his pads with plaintiff's white line symbol. When plaintiff discovered this use, it complained to Pachmayr, and thereupon, in February, 1946, defendant Pachmayr and plaintiff entered into an oral agreement whereby Pachmayr agreed to cease use of plaintiff's white line symbol and

plaintiff agreed that it would not sue him for his past use of it.

Defendant Pachmayr did then, as agreed, cease use of the symbol, but some of his advertising which had already been placed continued to appear [R. 188]. Believing that Pachmayr had violated the agreement, plaintiff sued him in the California Superior Court for his appropriation of the symbol. At the trial, defendant Pachmayr asserted that he had not violated the agreement and that the action was barred thereby; and the Superior Court found accordingly [Finding XI, R. 243], and rendered a judgment of dismissal [R. 245]. That is the judgment which is here asserted to constitute *res judicata* of the present issues.

It might appear from another finding in the prior case, No. XII [R. 243], however, that defendant Pachmayr also asserted an alternative defense in the Superior Court action, to the effect that he commenced use of the white line symbol in 1945 in good faith and had not tried to palm off his pads as plaintiff's, and that, if the action was not barred by the agreement, he was not in any event guilty of unfair competition. It appears from said Finding XII that the Superior Court also found for Pachmayr upon that alternative and inconsistent defense, *although of course it was not material to the judgment*. It is this Finding XII upon which defendant now relies to support his plea of *res judicata*.

Plaintiff appealed the Superior Court judgment to the California District Court of Appeal, whose opinion is

reported at 88 Cal. App. 2d 901. As shown hereinafter, under Point II, *the District Court of Appeal sustained the judgment solely upon the basis of Finding XI*—that the action was barred by the agreement; and expressly held that the other finding [No. XII] was immaterial.

As soon as the Superior Court judgment became final, defendant Pachmayr resumed use of plaintiff's white line symbol, in 1948, making and selling his recoil pads, bearing the symbol, in very large volume [R. 201]; and plaintiff instituted this suit, *which only seeks recovery since Pachmayr resumed the infringement in 1948.*

It is apparent, therefore, that defendant Pachmayr obtained the former judgment upon his representation to the Superior Court that he had abandoned use of plaintiff's white line symbol in good faith as agreed; that as soon as he obtained the judgment, he again began using the symbol; and, now that he has been sued for reappropriating the symbol after obtaining the judgment, he wants to be heard to assert the former judgment as *res judicata*.

Specification of Errors.

Plaintiff contends that the trial court erred:

1. In holding that defendant is not guilty of either trade-mark infringement or unfair competition.

2. In holding that a judgment in a prior California Superior Court action is *res judicata* as to the issues in this case.

3. In adopting findings which are not supported by the evidence.

4. In rendering a judgment which is not supported by the findings.

Summary of Argument.

POINT I.

DEFENDANT IS GUILTY OF TRADE-MARK INFRINGEMENT OR
UNFAIR COMPETITION.

(a) The goods of plaintiff and defendant are identical, are sold in the same stores to the same class of trade, both are marked with plaintiff's distinguishing white line symbol, and the undisputed evidence establishes actual confusion as well as passing off.

(b) To infringe a trade-mark, one does not have to copy the entire trade-mark, if the part which he does copy is enough to lead to confusion.

(c) From the standpoint of infringement or unfair competition, it is immaterial whether or not plaintiff's white line symbol in itself constitutes a valid technical trade-mark.

(d) Where an infringer has copied his competitor's trade-mark and his goods are the same in appearance, the mere fact that the infringer shows his own name upon the product is not sufficient to enable unsuspecting customers to distinguish his product from that of the trade-mark owner.

(e) Trade-marks should be protected not only for the benefit of their owners, but also for protection of the public against having spurious products passed off upon it.

(f) Where a party is associated in business with a trade-mark owner and leaves that association to engage in a competing business, he must exercise great care to distinguish his product from that of the trade-mark owner.

POINT II.

THE FORMER SUPERIOR COURT JUDGMENT IS NOT RES JUDICATA AS TO ANY ISSUE HERE INVOLVED.

(a) Although defendant relies upon the defense of *res judicata*, he has failed to place in evidence enough of the proceedings in the former action to enable the court to determine precisely what issues were concluded by the former judgment.

(b) Where a judgment of dismissal, in a case involving separate alternative defenses, does not reveal upon its face upon which defense it was based, and where the opinion of the reviewing court shows that it was affirmed upon only one of the alternative defenses, if the judgment is asserted in a later action as *res judicata*, it is necessary and proper to construe it in the light of the opinion of the reviewing court to determine what issue it concluded.

(c) A judgment is conclusive only as to those findings which are necessary for its support.

(d) In no event is a former judgment conclusive of subsequent events which create a new legal or equitable situation.

ARGUMENT.

POINT I.

Defendant Is Guilty of Trade-Mark Infringement or Unfair Competition.

- (a) The Goods of Plaintiff and Defendant Are Identical, Are Sold in the Same Stores to the Same Class of Trade, Both Are Marked With Plaintiff's Distinguishing White Line Symbol, and the Undisputed Evidence Establishes Actual Confusion as Well as Passing Off.

A comparison of plaintiff's product [Exs. 3 and 4] with defendant's product [Exs. 8 and 9] convincingly shows that any ordinary customer seeking one of plaintiff's "White Line" recoil pads, would not be able to distinguish the two products. For instance, the following colloquy between the trial judge and one of defendant's witnesses is most pertinent:

"The Court: You are accustomed to handling these.

The Witness: That is right.

The Court: So you would know them by a glance, but suppose you were like myself, not a sportsman, and going hunting for a pad, and you showed me the two, would I readily distinguish the difference by looking at them?

The Witness: Well, not unless—

The Court: You would have to look at the name of the manufacturer and the way they are constructed, and that would be a matter of familiarity with recoil pads, would it not?

The Witness: I guess you are right." [R. 221-222.]

Another of defendant's witnesses, the manager of the sporting goods department of a large Los Angeles de-

partment store, testified [R. 195] that he cautioned his salesmen not to pass off defendant's recoil pads bearing the white line symbol when a customer asked for a "White Line" pad. Obviously, this experienced merchandising man would not have deemed it necessary to so caution his salesmen unless he realized there was serious danger of confusion.

In view of the judgment finally rendered by the trial judge, it is also pertinent to observe that, at the conclusion of the trial, he was apparently convinced that there was definite likelihood of confusion. For instance, see the court's remarks as follows [R. 194]:

"The Court: Go ahead, but I am going to say right now you can look at these two pads, and anybody who was looking for a white line as a distinguishing mark would not be able to tell them apart. These two articles would be confusing. You can look at them and determine that. You can put on all the evidence to the contrary that you want, but the two articles speak louder than any witness has spoken here, so far as I am concerned."

Another important aspect of this case is this: when purchasers are seeking plaintiff's recoil pads, they ask for "White Line" pads [R. 93]. Plaintiff has done extensive advertising featuring the slogan "Look for the White Line" [Ex. 7]. Thus, when defendant places his product in the hands of dealers, conspicuously marked with plaintiff's identifying white line symbol, he is placing in their hands something which they can easily pass off upon an unsuspecting customer who asks for a "White Line" pad. In fact, the uncontradicted evidence shows, and the trial court even found [Finding XIV, R. 59], that many of defendant's dealers who were canvassed have practiced

this method of passing off defendant's pads as plaintiff's. [See the testimony of plaintiff's witness Gnagi, R. 137 *et seq.*]

“ . . . A manufacturer who puts in the hands of his immediate vendee the means of deceiving the consumer, is chargeable with unfair competition. The possibility that the retailer may not be honest in such matters must be taken into account by the manufacturer in selecting his brands.”

Nims on Unfair Competition and Trade Marks,
p. 1214, Sec. 381.

Also, see the uncontradicted evidence of confusion given by plaintiff's witness, Mr. Mershon [R. 104, *et seq.*, Exs. 12-16], to the effect that purchasers of defendant's pads who found them defective have sent them to plaintiff for replacement. This aptly illustrates the extent to which plaintiff's reputation and good will are jeopardized by defendant's use of plaintiff's white line symbol.

Defendant could give no plausible explanation of why he deliberately copied plaintiff's white line symbol. He admitted that he could just as well have used a line of any other color, or no line at all [R. 159]. For several years prior to the fall of 1945, he did not use any line symbol at all [R. 158]; then in 1945 he deliberately started using plaintiff's white line symbol and continued to do so until plaintiff threatened to sue him, at which time, in 1946, he abandoned its use [R. 148]; then in 1948 he again began using plaintiff's white line symbol. Thus, his only purpose in appropriating the symbol is obviously to enable him to trade upon plaintiff's reputation.

As aptly stated by this court in *Del Monte Special Food Co. v. California Packing Corp.*, 34 F. 2d 774, 775:

“ . . . His mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. If another uses it, he borrows the owner's reputation, whose quality no longer lies within his own control. This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask. And so it has come to be recognized that, unless the borrower's use is so foreign to the owner's as to insure against any identification of the two, it is unlawful. *Aunt Jemima Mills Co. v. Rigney*, 247 F. 407, L. R. A. 1918C, 1039 (C. C. A. 2); *Akron-Overland v. Willys-Overland*, 273 F. 674 (C. C. A. 3); *Vogue Co. v. Thompson-Hudson Co.*, 300 F. 509 (C. C. A. 6); *Wall v. Rolls-Royce*, 4 F. (2d) 333 (C. C. A. 3).”

(b) To Infringe a Trade-mark, One Does Not Have to Copy the Entire Trade-mark, if the Part Which He Does Copy Is Enough to Lead to Confusion.

The law is well settled that one does not have to make a slavish copy of another's *entire* trade-mark in order to infringe it, if what he does copy is enough to cause confusion.

Saxlehner v. Eisner, 179 U. S. 19, 45 L. Ed. 60.

This is particularly true where the trade-mark consists of both words and a symbol having the same meaning. For instance, see the following cases:

In *Hutchinson v. Blumberg*, 51 Fed. 829, 831, the plaintiff's trade-mark consisted of the word “Star” accom-

panied by a star-shaped symbol. The defendant did not use the word “Star,” but did use a star and crescent symbol. In holding this to be infringement, the court said:

“ . . . It is very evident, I think, that any person disposed to take advantage of a customer, having the defendant’s goods in his store, could, on inquiry being made for ‘Star Goods,’ which is the common designation of complainants’ goods . . . hand to the customer defendant’s goods, and say: ‘These are the “Star Goods”’ ”

In *United Electric Co. v. Replogle*, 289 Fed. 626, a red band around the base as a trade-mark for vacuum cleaners, was held confusingly similar to a trade-mark consisting of the words “Red Ring” accompanied by a red ring-like symbol. The court observed that the red band “might be aptly described as a ‘red ring,’ and it is believed that a purchaser who had been advised to buy a ‘Red Ring’ cleaner, or had seen a reference to a ‘Red Ring’ cleaner, would ordinarily accept the product bearing the red band as answering the description of the ‘Red Ring.’ ”

In *Gordon Dry Gin Co. v. Eddy & Fisher Co.*, 246 Fed. 954, 955, the plaintiff’s trade-mark comprised the words “Boar’s head” accompanied by a picture of a boar’s head. The defendant’s mark was merely a picture of a boar’s head. In holding infringement, the court said:

“ . . . If plaintiff’s goods have, from his trade-mark become known in the market by a particular name, the adoption by the defendant of a mark or name which will cause his goods to bear the same

name in the market is as much a violation of plaintiff's rights as an actual copy of his mark."

In *Aktiengesellschaft Fur F., etc. v. Kny-Scheerer Corp.*, 80 F. 2d 266, the plaintiff's trade-mark was a picture of a serpent entwined on a staff and a crown (commonly known as the physician's symbol named "Aesculap"). The defendant did not use any symbol, but used as his trade-mark the word "Aesculap," which had the same meaning as the symbol. The defendant's mark was held to be confusingly similar to the plaintiff's mark.

In *Bradstone Rubber Co. v. Coe*, 34 Fed. Supp. 926, a trade-mark consisting of a green circular line symbol displayed on rubber heels, was held to be confusingly similar to a mark consisting of a red circular line symbol for the same goods.

In *Derby Oil Co. v. White Star Refining Co.*, 62 F. 2d 984, a trade-mark consisting of the words "White Star" was held to be confusingly similar to a trade-mark consisting of a symbol showing a picture of a white star.

In *Kushner & Gillman v. Mayflower Worsted Co.*, 11 F. 2d 462, a trade-mark consisting of the word "Mayflower" was held infringed by a trade-mark consisting of a picture of the ship "Mayflower."

The trade-mark statute, 15 U. S. C. A. 1114(1), provides:

"Any person who shall, in commerce, (a) use, without the consent of the registrant, any reproduction, counterfeit, copy, or colorable imitation of any registered mark in connection with the sale, offering for sale, or advertising of any goods or services on or in connection with which such use is likely

to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods or services; or (b) reproduce, counterfeit, copy, or colorably imitate any such mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles, or advertisements intended to be used upon or in connection with the sale in commerce of such goods or services, shall be liable to a civil action by the registrant for any or all of the remedies hereinafter provided . . .”

The courts have often observed that, when an unscrupulous trader wants to deceive, he will not boldly copy his competitor's entire trade-mark. He will copy only enough of it to enable him to pass off his goods as those of his competitor, and will omit enough to provide himself with some cover if his piracy is challenged.

Saalfeld Publishing Co. v. G. & C. Merriam Co.,
238 Fed. 1.

(c) From the Standpoint of Infringement or Unfair Competition, It Is Immaterial Whether or Not Plaintiff's White Line Symbol in Itself Constitutes a Valid Technical Trade-mark.

The trial court found [Finding XIX; R. 61] that plaintiff's white circular line symbol does not, in itself, constitute a valid technical or common law trade-mark, although the court did not state in the findings upon what facts or ground it based this conclusion. It is assumed that the court based the conclusion upon the fact that color *alone* does not constitute a technical trade-mark. However, when color is embodied in a particular pat-

tern, such as a circle, square, star, or cross, as is the case here, it constitutes a trade-mark.*

The only material inquiry here is, not whether the portion of plaintiff's composite trade-mark which defendant has copied constitutes a valid technical trade-mark in itself, but whether defendant has copied enough of plaintiff's composite mark to create confusion.

In any event, insofar as the issue of unfair competition is concerned, it is not at all necessary that the white circular line symbol constitute a technical trade-mark; nor is it necessary that plaintiff establish any exclusive property right in it.

Brooks Bros. v. Brooks Clothing of Calif., 60
Fed. Supp. 442; aff'd 158 F. 2d 798 (9th Cir.);

International News Service v. Associated Press,
248 U. S. 215, 63 L. Ed. 211;

Weinstock, Lubin & Co. v. Marks, 109 Cal. 540;

American Philatelic Soc. v. Claibourne, 3 Cal. 2d
689.

"Unfair competition is distinguishable from infringement of a trade-mark in this: that it does not involve necessarily the question of the exclusive right of another to the use of the name, symbol or device. A word may be purely generic or descriptive, and so not capable of becoming an arbitrary trade-mark, and yet constitute unfair competition."

Nims "Unfair Competition and Trade Marks," p.
11, Sec. 1.

*Color may constitute a valid technical trade-mark "if it be impressed in a particular design, as a circle, square, cross or a star." (*Leschen & Sons Rope Co. v. Broderick*, 201 U. S. 166, 50 L. Ed. 710.)

- (d) Where an Infringer Has Copied His Competitor's Trade-mark and His Goods Are the Same in Appearance, the Mere Fact That the Infringer Shows His Own Name Upon the Product Is Not Sufficient to Enable Unsuspecting Customers to Distinguish His Product From That of the Trade-mark Owner.

Defendant Pachmayr appears to contend that, simply because his name appears upon his recoil pads, the public should be able readily to distinguish them despite the fact that they are identical with plaintiff's pads in appearance and also bear the white line symbol which plaintiff employs to distinguish its product. This certainly is not the law.

Enterprise Mfg. Co. v. Landers, Frary & Clark,
131 Fed. 240, 241.

Moreover, the proofs of *actual* confusion and passing off in this case completely refute such a contention.

- (e) Trade-marks Should Be Protected Not Only for the Benefit of Their Owners, but Also for Protection of the Public Against Having Spurious Products Passed Off Upon It.

The following quotation from the United States Senate report leading to enactment of the present trade-mark act is particularly apt:

"Trade-marks are the essence of competition, because they make possible a choice between competing articles by enabling the buyer to distinguish one from the other. Trade-marks encourage the maintenance of quality by securing to the producer the benefit of the good reputation which excellence creates. To protect trade-marks, therefore, is to protect the public from deceit, to foster fair competition, and to secure to the business community the advantages

of reputation and good will by preventing their diversion from those who have created them to those who have not.”

Senate Report, 1333, 79 Congress, 2d Session.

- (f) Where a Party Is Associated in Business With a Trade-mark Owner and Leaves That Association to Engage in a Competing Business, He Must Exercise Great Care to Distinguish His Product From That of the Trade-mark Owner.

As said by the Supreme Court in *International News Service v. Associated Press*, *supra*:

“ . . . The parties are competitors in this field; and, on fundamental principles, applicable here as elsewhere, when the rights or privileges of the one are liable to conflict with those of the other, each party is under a duty so to conduct its own business as not unnecessarily or unfairly to injure that of the other. *Hitchman Coal & Coke Co. v. Mitchell*, 245 U. S. 229, 254, 62 L. Ed. 260, 277, L. R. A. 1918C, 497, 38 Sup. Ct. Rep. 65, Ann. Cas. 1918B, 641.”

Here, defendant Pachmayr has the duty to be unusually cautious to distinguish his product from plaintiff's, because of his past association with the plaintiff corporation as well as its predecessor. In fact, when first incorporated in 1935, the plaintiff corporation was known as the “Frank Pachmayr Corporation,” which name was changed when defendant left the corporation. Thus, it is quite probable that many in the trade who recall his association with the plaintiff, may think he is again or still associated with plaintiff or that plaintiff is in some way sponsoring his product, if he displays plaintiff's distinguishing symbol upon his product.

POINT II.

The Former Superior Court Judgment Is Not Res Judicata as to Any Issue Here Involved.

- (a) Although Defendant Relies Upon the Defense of Res Judicata, He Has Failed to Place in Evidence Enough of the Proceedings in the Former Action to Enable the Court to Determine Precisely What Issues Were Concluded by the Former Judgment.

The former judgment relied upon by defendant as constituting *res judicata*, does not disclose what issue it concluded—it is merely a judgment of dismissal, reciting that “plaintiff take nothing by its complaint.” [R. 245.] Defendant failed to place in evidence either the complaint or the answer in said former action. Although defendant did place in evidence [Ex. P-3; R. 239] the findings of fact and conclusions of law entered in that case, those findings, for the most part, merely recite that specified paragraphs of the complaint are “true” or “false,” so that there is nothing before the court to indicate what allegations were “true” or “false.”

“If upon the face of a record anything is left to conjecture as to what was necessarily involved and decided, there is no estoppel in it when pleaded, and nothing conclusive in it when offered in evidence.”

Title Guarantee & Trust Co. v. Monson, et al.,
11 Cal. 2d 621, 632.

The findings of fact which were placed in evidence indicate that, in the former action, the defendant asserted two alternative defenses, namely: (1) that the action was barred by a contract between the parties by virtue of which the defendant agreed to cease use of plaintiff's

white line symbol in consideration of plaintiff's agreement not to sue, and that the defendant had kept the agreement by abandoning use of the white line symbol [Finding XI; R. 243]; and (2) that there was no fraud upon the part of defendant because defendant commenced use of plaintiff's white line symbol in good faith and no confusion had resulted therefrom [Finding XII; R. 243].

Consequently, to determine what issue was concluded by the judgment, we must look to the opinion of the California District Court of Appeal, to which court the case was appealed by plaintiff, reported at 88 Cal. App. 2d 901.

That opinion clearly shows that the District Court of Appeal sustained the judgment *solely* upon the fact, recited in said Finding XI, that the action was barred by the oral agreement. The opinion further specifically recites that, since the defendant had abandoned the acts complained of and had therefore kept his agreement to do so, all other findings were immaterial to the judgment. For ready reference, the opinion of the District Court of Appeal recites the following:

“This is the sole question necessary for us to determine:

“Did plaintiff waive any cause of action which it may have had against defendants for unfair competition?”

“This question must be answered in the affirmative. The trial court found as follows:

“ ‘That it is true that plaintiff and defendant verbally agreed that if defendant would cease manufacturing a recoil pad with a white line therein that plaintiff would take no further action against defen-

dant; that pursuant to said verbal agreement defendant within a reasonable time, and prior to the commencement of this action, ceased the manufacture of a recoil pad using a white line therein and that defendant has not since, nor is he now manufacturing a recoil pad with a white line.'

"The foregoing finding was sustained by the uncontradicted testimony of defendant Pachmayr . . .

"In view of the foregoing finding it is clear that plaintiff waived any cause of action which it might have had against defendants for unfair competition when plaintiff, in consideration of defendants' ceasing to sell and advertise the recoil pad, agreed to take no further action against them. Abandonment of alleged unfair competition terminates plaintiff's right to relief therefrom. *Art Metal Works v. Cunningham Products Corp.*, 242 N. Y. S. 294, 306. Since defendants have complied with their portion of the agreement, plaintiff is bound by its promise.

"If one finding, supported by substantial evidence, will sustain the trial court's judgment, as in the present case the above finding does, it will be presumed that the trial court predicated its judgment upon such finding, and questions relative to other findings become immaterial upon appeal."

Having sustained the judgment upon the sole ground of the contract, it was clearly immaterial as to whether the use of plaintiff's white line symbol which defendant had thus abandoned pursuant to the contract, did or did not constitute unfair competition. *Even if the court had found that the abandoned acts did constitute competition, it would not have had any effect upon the judgment.*

(b) Where a Judgment of Dismissal, in a Case Involving Separate Alternative Defenses, Does Not Reveal Upon Its Face Upon Which Defense It Was Based, and Where the Opinion of the Reviewing Court Shows That It Was Affirmed Upon Only One of the Alternative Defenses, if the Judgment Is Asserted in a Later Action as Res Judicata, It Is Necessary and Proper to Construe It in the Light of the Opinion of the Reviewing Court to Determine What Issue It Concluded.

Inasmuch as the former judgment relied upon by defendant [R. 245] throws no light upon the question of what it determined and concluded, if it is to receive any consideration in the present case at all, it must be construed in the light of the opinion of the District Court of Appeal to determine what it concluded.

“Where upon an appeal the supreme court, in deciding the appeal, states in its opinion a principle or rule of law necessary to the decision, that principle or rule becomes the law of the case.”

2 *Cal. Jur.*, pp. 944-945.

In *Cromwell v. County of Sac*, 94 U. S. 351, 24 L. Ed. 195, the United States Supreme Court, in order to determine what was necessarily determined by a former judgment which it had reviewed and upon which it had written an opinion, said:

“Reading the record of the lower court *by the opinion and judgment of this court*, it must be considered that the matters adjudged in that case were these:” etc.

In *Koehler v. Holt Mfg. Co.*, 146 Cal. 335, the original action was in the Justice Court. Appeal was taken to the Superior Court, which affirmed the judgment. The judg-

ment was then appealed to the Supreme Court, which affirmed, accepting the Justice Court judgment as construed by the Superior Court, saying:

“ . . . and the court having jurisdiction of the action had power to construe the pleadings and determine what facts were put in issue, and its findings and adjudication therein, even if erroneous, cannot be questioned collaterally.”

In *Tomkins v. Tomkins*, 89 Cal. App. 2d 243, 249, the court said:

“Where the purpose, meaning and effect of a former decree has been adjudicated in . . . a subsequent proceeding in the same action, the second adjudication is conclusive of the purpose, meaning and effect of the first.”

It is to be noted that in *Tomkins v. Tomkins*, *supra*, there was cited *Lake v. Bonyng*, 161 Cal. 120, in which the “subsequent proceeding in the same action” was an appeal, so that, in *Tomkins v. Tomkins*, the court clearly held that an appeal was included in the term “subsequent proceeding in the same action.”

Another interesting case in point is *Landon v. Clark*, 221 Fed. 841.

In that case, plaintiff Landon sued defendant Clark to quiet title to all the land beneath a certain pond. Landon had acquired title by deed from one Durland. There had been a former suit involving the land, in which Clark had sued Durland charging that he, Clark, owned all the land under the pond and that Durland had trespassed upon 8.7 acres of the land. The court held for Durland and made findings not only that Durland owned the 8.7 acres but that he also owned all the land under

the pond. After acquiring title from Durland, Landon sued Clark to quiet title to all the land under the lake, asserting that the judgment in the former action was *res judicata*. Defendant Clark, however, contended that, notwithstanding the finding in the former action to the effect that Durland owned all the land under the pond, it was only necessary to the judgment for the court to determine title to the 8.7 acres of land, and that consequently the finding as to the remainder of the land was unnecessary to the judgment and therefore did not constitute *res judicata*. To substantiate his contention as to what was necessarily concluded by the former judgment, Clark offered the opinion of the Appellate Court in the former suit. The trial court rejected the offer and held the former judgment to be *res judicata* as to all the land. In holding that the trial court erred, the United States Court of Appeals for the Second Circuit said (p. 847):

“Certainly it cannot be claimed that any of the several findings as to the title made by the trial court in the former action, other than that relating to the title to the tract of 8.7 acres was necessary to the decision of the question involved. A judgment could have been rendered and the bill dismissed, without reference to whether or no title as to the other portions of the lake was or was not in the defendant in that action. . . . We have reached this conclusion solely upon what is in the present record as to what took place in the Supreme Court of New York in which the former action was tried.

“This court, however, can take judicial notice of the statutes of the state of New York and of its official reports, and we have examined the opinions rendered in the higher courts of the state respecting the judgment which has been pleaded in the present suit.”

(c) **A Judgment Is Conclusive Only as to Those Findings Which Are Necessary for Its Support.**

Section 1911, *California Code of Civil Procedure*, provides:

“What deemed adjudged in a judgment. That only is deemed to have been adjudged in a former judgment which appears upon its fact to have been so adjudged, or which was actually and necessarily included therein or necessary thereto.”

The rule is aptly stated by *American Law Restatement, Judgments*, Section 69 (comment on Sec. 1(b)), as follows:

“The rule is well established that a finding in a former case does not create an estoppel if the fact found did not necessarily determine that case. The judgment must rest upon the fact found or the fact is open to relitigation. 2 Freeman, *Judgments* (5th Ed), Sec. 689; *James v. Pettis*, 134 Minn. 438, 159 N. W. 953; *Horton v. Goodenough*, 184 Cal. 451, 194 Pac. 34; *House v. Lockwood*, 137 N. Y. 259, 33 N. E. 595; *Estate of Heydenfeldt*, 127 Cal. 456, 59 Pac. 839; *Landon v. Clark* (2d Cir.), 221 Fed. 841; *Silberstein v. Silberstein*, 218 N. Y. 525, 113 N. E. 495; *Cauhape v. Park, Davis & Co.*, 121 N. Y. 152, 24 N. E. 185; *Hymes v. Estey*, 116 N. Y. 501, 22 N. E. 1087; *Dygert v. Dygert*, 4 Ind. App. 276, 29 N. E. 490; *Paul v. Barnbrook*, 58 Ind. App. 607, 106 N. E. 425; *Fairman v. Bacon*, 8 Conn. 418; *Kennedy v. Scoville*, 14 Conn. 61; *Thompson v. N. T. Bushnell Co. (C. C.)*, 80 Fed. 332. See further cases cited to the same effect in 34 C. J. p. 927, Sec. 1332, Note 96. (Wis. 233, Pages 554 and 555).”

In the leading California case of *Chapman v. Hughes*, 134 Cal. 641, at 654-655, the court stated the rule as follows:

“When the Court had found, as it did, that the syndicate agreement was superseded by the trust deed, it mattered not at all to that action what thereafter might have become of the superseding contract. The immateriality of the issue and of the finding of the court upon it, is clearly seen when one considers that if, upon appeal, the Chapmans had convinced this court that this finding was wholly unsupported by the evidence, it would not have operated to effect a reversal. If that finding had been pressed upon the attention of this court as being erroneous, it would not have merited consideration, because the conclusive answer would have been, that, *whether erroneous or not*, the judgment was in no way dependent upon it. While a general verdict or a judgment operates as an estoppel as to such matters as were necessarily considered and determined, it is never conclusive upon immaterial or collateral issues. (*McDonald v. Bear River etc. Co.*, 15 Cal. 149; *Fulton v. Hanlow*, 20 Cal. 456; *Lillis v. Emigrant Ditch Co.*, 95 Cal. 553; *Packet Co. v. Sickles*, 5 Wall. 592; *Herman on Estoppel and Res Judicata*, sec. 275; *Wells on Res Judicata*, sec. 295.)” (Emphasis added.)

In the Illinois case of *Lily Parsons Reighley v. Continental Illinois National Bank*, 323 Ill. App. Rep. 479, the court said:

“We follow the uniform rule . . . that our failure to pass upon the trial court’s finding as un-

necessary to our decision, does not leave that finding *res judicata* between the parties.”

In the New York case of *House of Lockwood*, 137 N. Y. 259, the court held:

“A judgment does not operate as an estoppel in a subsequent action between the parties as to immaterial or unessential facts, even though put in issue by the pleadings and directly decided. But it is final as to every fact litigated and decided therein, *having such a relation to the issue that its determination was necessary to the determination of the issue.*”

In the Kansas case of *Mitchell v. Insley*, 33 Kan. 654, 7 Pac. 201, the court said:

“It is the general duty of the court trying a case to find upon all the issuable facts; yet findings which are not necessarily included in and become a part of the judgment are not conclusive in other actions. Even where such findings are confirmed by final judgment, they are adjudications only so far as they are necessarily included in and become a part of the judgment.”

See also the following cases in point:

Schofield v. Rideout, 233 Wis. 550;

Guardianship of Leach, 30 Cal. 2d 297, 311;

Hill v. Donnelly, 56 Cal. App. 2d 386;

Phillips v. Stark, 65 Cal. App. 136;

Royal Realty Co. v. Harvey, 87 Cal. App. 344.

(d) In No Event Is a Former Judgment Conclusive of Subsequent Events Which Create a New Legal or Equitable Situation.

The present action is for trade-mark infringement and unfair competition by defendant *commencing with his resumption, in 1948*, of use of plaintiff's white line symbol.

The former judgment was based upon a contract which has since been breached by defendant's admitted resumption of use of plaintiff's white line symbol. His subsequent breach has eliminated the contract as a bar to suit.

Also, even if it could be said that Finding XI in the former action was necessary to the judgment, still the evidence in this case not only shows materially changed facts but also shows that defendant Pachmayr obtained the former judgment by fraud. Admittedly, Pachmayr resumed use of plaintiff's white line symbol as soon as he obtained the judgment in the Superior Court, which judgment he obtained by representing to the court that he had in good faith abandoned use of the symbol. Thus there is an absence of the "good faith" which Finding XII attributed to him in the former case.

"Where, after rendition of a judgment, subsequent events occur, creating a new legal situation, or altering the legal rights or relations of the parties, the judgment may thereby be precluded from operating as an estoppel. In such a case the earlier adjudication is not permitted to bar a new action to vindicate rights subsequently acquired. Am. Juris. 943, Section 246, citing *State of Missouri re Roy McKittrick, etc. v. Missouri Public Service Corporation*, 351 Missouri 961. The rule of *res judicata* extends only to the facts and conditions as they existed at the time the judgment was rendered or, more correctly

speaking, at the time the issues in the first action were made, and to the legal rights and relations of the parties as fixed by the facts determined by that judgment. When other facts or conditions intervene before the second suit, furnishing a new basis for the claims and defenses of the respective parties, the issues are no longer the same and the former judgment cannot be pleaded in bar of the second action.”

Lord v. Garland, 27 Cal. 2d 840.

See also:

50 C. J. S. 180;

Hurd v. Albert, 214 Cal. 15;

Calif. Emp. Comm. v. Matcovich, 74 Cal. App. 2d 398.

Conclusion.

Appellant respectfully submits, therefore, that, having found in accordance with the evidence that plaintiff first adopted and used the trade-mark in issue; that plaintiff has built up and owns a substantial business and good will identified by the trade-mark; that defendant has appropriated a substantial part of plaintiff's trade-mark for identical goods sold to the same customers; and that the evidence establishes actual “passing off” of defendant's product for plaintiff's, it was error for the trial court to conclude that plaintiff was not entitled to any relief even though the court did not make findings upon other material facts established by uncontradicted evidence. Appellant further respectfully submits that, since the former Superior Court judgment was based solely upon the defense that the action was barred by an agree-

ment pursuant to which defendant had abandoned the acts charged to constitute unfair competition, it was entirely immaterial to the judgment as to whether or not the abandoned acts would have constituted unfair competition if they had not been abandoned; and that, therefore, it was error for the trial court to hold that the present issues of trade-mark infringement and unfair competition were concluded by the judgment in the former Superior Court action.

Respectfully submitted,

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